

TVA HEARING
TRANSMISSION ACCESS
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HOPKINSVILLE, KENTUCKY

Reported by: Karina L. Owen, RPR/CSR

ORIGINAL

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APPEARANCES:

TVA BOARD MEMBERS:

Bill Sansom, Chairman
Bill Baxter
Denny Bottorff
Don DePriest
Mike Duncan
Skila Harris
Howard Thrailkill
Susan Williams

PANEL #1 - NOTICED DISTRIBUTORS

Jim Allison - GM, Duck River Electric Membership
Corp., Tennessee
John Humphries - Superintendent, Princeton Electric
Plant Board, Kentucky
Gerald Hayes - President/CEO, Warren Rural Electric
Cooperative Corp., Kentucky
Ray McLennan - Board Chairman, Paducah Power System,
Kentucky

PANEL #2 - NON-NOTICED DISTRIBUTORS

Fred Hayslett - GM, Columbus Light & Water Department,
Mississippi
Harold DePriest - President/CEO, EPB (Chattanooga,)
Tennessee
George Kitchens - GM, Joe Wheeler Electric Membership
Corp., Alabama
Eston Glover - Manager, Pennyrite Rural Electric
Cooperative Corp., Kentucky

PANEL # 3 - OTHER

Jack Simmons - President/CEO, Tennessee Valley Public
Power Association
Ed Bredniak, President, CMCC, Calvert City, Kentucky
Roy Palk - President, East Kentucky Power Cooperative
Mark David Goss - Chairman, Kentucky Public Service
Commission

1 MR. GLOVER: Those of us that stay,
2 want TVA to be as strong and as viable and able to
3 carry on the business as possible. It's in our best
4 interests that you all are as healthy as you can
5 possibly be.

6 MR. SANSOM: That's a good way to end.
7 Thank you very much. Anything else? Tom, tell us what
8 to do, sir.

9 MR. KILGORE: Let me just ask the next
10 panel, we're going to take a 10-minute break. I know
11 it will be hard to get everybody back together, but I
12 would like the board and the next panel to be in place
13 in 10 minutes and everybody else will come back, so if
14 we could do that.

15 (Whereupon a brief recess was taken.
16 Off the record.)

17 MR. KILGORE: Thanks for getting back
18 in a timely manner. I want to introduce the third and
19 last panel. We have with us today people that are of
20 interested parties that are not distributors on this
21 panel.

22 First of all, Ed Bredniak, the
23 president of CC Metals and Alloys, who is here
24 representing our direct serve customers, the Tennessee
25 Valley Industrial Committee. Mark David Goss, the

1 chairman of the Kentucky Public Service Commission.
2 Roy Palk, president of East Kentucky Power Corporation
3 and, finally, Jack Simmons president and CEO Tennessee
4 Valley Public Power Association. So, Mr. Chairman.

5 MR. SANSOM: Thank you very much and,
6 again, thank you all for being on this panel.
7 Appreciate you being here and we'll start right off.
8 And, Roy, I understand you're first; is that right?
9 Why don't you -- can we buy stock in your company?

10 MR. PALK: Can you buy stock in my
11 company? No, you can't because we're a cooperative.
12 Sorry.

13 MR. SANSOM: Go ahead.

14 MR. PALK: Thank you, Mr. Chairman,
15 ladies and gentlemen of the TVA board, thank you for
16 the opportunity to be with you and to make some
17 comments this morning about transmission. My comments
18 are going to be restricted really to the circumstances
19 that we've been through with our friends at TVA
20 regarding our endeavor to provide transmission service
21 to Warren based on their selection of East Kentucky
22 Power in the competitive bid process to be their future
23 power supplier.

24 East Kentucky Power member cooperatives
25 are among the fastest growing utilities in the state

1 and the nation faced with rapid growth and an expanded
2 economy and dynamic regulatory market. The cooperative
3 has taken innovative steps to serve the interests of
4 its members.

5 Let me pause here and say that the
6 legal distinction of members -- because there's been
7 some discussion already -- members are owners. The
8 members of East Kentucky Power are the cooperatives
9 that we serve, just as you provide power to a
10 distribution system, in our case those distribution
11 systems actually own the G and T. They literally hold
12 title under Kentucky law and under corresponding law in
13 other states and as a consequence of that, they
14 actually elect board members to serve on our board.
15 Our board is not an appointed board. Our board is an
16 elected board. Those board members come from those
17 cooperatives that are served by our power supply and
18 that's the ownership and governing structure that we
19 have.

20 EKPC and the Tennessee Valley Authority
21 have a long partnership. Our involvement in this
22 controversy on this transmission line is not an
23 adversarial position. We simply are trying to get
24 transmission service to Warren. Contrary to what you
25 may have heard, we have no adversarial position against

1 TVA. I regret the degree that we've all had to go to
2 at this point to get this line in place, but I must
3 tell you that it is not anything personal against TVA
4 as an organization, nor is it personal against anyone
5 employed by TVA. We have had a long relationship.

6 I would like to recite some of that to
7 you, and it has been to our mutual benefit. TVA serves
8 as East Kentucky's security coordinator on our
9 transmission system and has done so since 2001. That
10 relationship was spawned from an earlier effort to form
11 a regional transmission group. EKPC also partnered
12 with TVA to establish the regional open access same
13 time information system or better known as OASIS system
14 for reserving transmission capacity. And EKPC has an
15 agreement to lease TVA's 161 KV Summershade to Green
16 River Transmission Line.

17 Also EKPC is a grandfathered company.
18 We're one of those 14 that you've heard about that's
19 grandfathered outside the TVA wall. EKPC's
20 organization is well familiar with East Kentucky --
21 with TVA. I personally spent 17 years of my 36-year
22 career in the TVA area. I've worked for two
23 TVA-served distributors. I worked for five years at
24 Tri-County as their director of member services. I
25 worked for 12 years at Upper Cumberland EMC in

1 Carthage, Tennessee as their president and CEO.

2 During that time, I've served on
3 various TVPPA committees, including the rates and
4 contracts committee and at one time its chairman, and
5 also served as a member of the TVPPA board, and at one
6 time its chairman, and I was one of the original
7 incorporators of the Distributors Insurance Company
8 known as DIC. And so my relationship and East
9 Kentucky's relationship with TVA goes back a long way.
10 I might inject, I'm so old, I can remember when Red
11 Wagner was the chairman of the TVA board. And so our
12 relationship with TVA is not an adversarial
13 relationship.

14 Our endeavor to serve Warren based on
15 their selection in 2004 is a natural fit. Warren will
16 become the 17th member owner of East Kentucky Power.
17 Both are nonprofit cooperatives, Kentucky based, both
18 share the mission of improving the lives of rural
19 Kentuckians. In joining with EKPC, Warren will gain
20 and equity stake, which you've already heard about, a
21 seat on the board, and a strong hand in determining its
22 own future.

23 In 2003 Warren had given TVA its
24 requisite five-year notice that the cooperative planned
25 to terminate its agreement with TVA. Warren has

1 subsequently signed a 33-year agreement with East
2 Kentucky Power, and we are now endeavoring to provide
3 transmission service to Warren.

4 And let me give you a little bit of
5 background there. Because TVA rejected based on our
6 request that they first provide the TVA service -- the
7 Warren transmission services, because of that
8 rejection, East Kentucky Power is planning to construct
9 nearly 97 miles of 161 KV transmission line to serve
10 Warren. The plan provides a strong backbone that
11 stretches from EKPC's Barren County substation, which
12 is in co-op's western most substation west to Warren's
13 western most 161 delivery point at Aberdeen with
14 intermediate connections to other Warren delivery
15 points.

16 In connection with construction of
17 these new facilities, EKPC requires three new
18 interconnections with TVA's existing transmission
19 system. This will provide reliability and voltage
20 support for Warren as well as an arrangement for backup
21 service from TVA in the event of system outages. In
22 addition to that, this will provide two more
23 high-voltage transmission lines into that region and
24 will provide some solutions for what has been
25 identified as two or three problems on the TVA system,

1 so the whole TVA East Kentucky regional transmission
2 grid will be enhanced by the introduction of these two
3 high-voltage transmission lines.

4 On March the 10th, 2004, EKPC formally
5 requested interconnections by letter. On August 20,
6 2004, TVA informed EKPC by letter that it would not
7 agree to the proposed interconnections even though EKPC
8 already has six interconnections with TVA. As a
9 result, EKPC filed an application in October 2004 with
10 the Federal Energy Regulatory Commission. On January
11 19th, 2006, FERC issued a final ruling on EKPC's
12 request to order TVA to provide three interconnections,
13 and I have provided to Mr. Kilgore copies of my e-mail,
14 copies of my testimony, you all can put that in the
15 record because he has it and if doesn't come through,
16 let me know.

17 There are excerpts in my testimony, and
18 I'll not go into those excerpts, but all are excerpts
19 on different issues on how the FERC has ruled on the
20 issue between TVA and East Kentucky Power on the effort
21 to serve transmission service in the Warren.

22 For example, No Reasonable Alternative;
23 EKPC has met the applicable standards, because there is
24 no mutual benefit standard under the applicable law on
25 Section 210 of the act under which this has been filed,

1 so there is not a mutual benefit standard.

2 Base case study -- our base case study
3 versus TVA's was accepted by the FERC, so base case
4 study we have prevailed on that. The FERC also has
5 ruled that there are no loop flows due in this
6 circumstance because the impact on TVA's system is not
7 that great. Loop flow is a phenomenon that occurs when
8 power flows from one system to another. It's like
9 water flowing downhill, it's going to take the point of
10 least resistance, and so by physics there's going to be
11 some loop flow.

12 The FERC has ruled that the impact that
13 our flow has had on the TVA's system under these
14 connections is not significant enough to charge. We
15 have agreed to pay if there are charges, so we're not
16 trying to get by with a free ride. They also agree or
17 have said that they expect TVA to comply. At this
18 point in time, this is not a final deal. We have even
19 been told by TVA that they would take this "all the way
20 to the US Supreme Court if necessary," and I regret
21 that we've been told that. I wish that the attitude
22 that we have seen up to this point were different.

23 Again, we were not trying to be
24 adversarial. We're simply trying to meet a business
25 obligation that we have met in a way that we already

1 have. We already have six interconnections with TVA.
2 We are simply trying to get this interconnection
3 arrangement, so we can provide service to the Warren
4 co-op under the arrangements that they and their board
5 and I and my board have agreed on. Every, every
6 discussion, every vote that has been taken on each of
7 these boards, my board and the Warren board is a
8 unanimous vote. And so we're trying to follow the
9 rules, trying to play the game, and I regret that we
10 are where we are.

11 I hope that we can get this concluded,
12 because, frankly, there are a lot of other things that
13 we could be doing together in a much more positive
14 attitude. We're going to need power supply. TVA is
15 going to need power supply. We're going to need
16 transmission. TVA is going to need transmission. We
17 need a strong north/south backbone in the state of
18 Kentucky, because as power flows north to south,
19 there's not a strong backbone system north to south in
20 Kentucky.

21 Consequently, again, because of the
22 flow problems, the power is forced east and west and
23 this line will help eliminate some of that east/west
24 impact, but it won't eliminate all of it. So one
25 thing, for example, we could be working on together is

1 a strong north/south backbone. We could be working on
2 joint power supply.

3 We have a proposal at TVA now, outside
4 the wall that I think Mr. Thrailkill was talking about
5 opportunity to sell outside the wall, to purchase from
6 TVA 150 megawatts. We've heard nothing on that
7 proposal right now. I'm hoping that we'll hear
8 favorably in the future. So we are trying to set up
9 opportunities for doing business together, and at the
10 same time we're trying to get this matter resolved to
11 the benefit of East Kentucky Power, its members, and
12 Warren Rural Electric.

13 Let me just very quickly recap and then
14 I'll accept questions later. We are a growing
15 cooperative. Our demand for electricity is one of the
16 fastest growing in the nation. I've been told it may
17 be twice the rate of the national average. The
18 relationship between Warren and EKPC is a natural. The
19 relationship between TVA and EKPC should be a natural.
20 We want it to be, because of all the reasons personally
21 and professionally that I told you about just a while
22 ago. I have gone through the litany of events that we
23 have had with the FERC. That is still a pending
24 matter. We hope to get that favorably resolved
25 someday.

1 At this point, as we see it, TVA has
2 been unwilling to comply with the FERC order and that's
3 in my discussion, so I will conclude by saying that I
4 appreciate the opportunity to come and speak to you
5 this morning. It's important to me that you understand
6 the context in which we have approached this matter
7 with TVA, and I'm pleased to have the opportunity to
8 speak to you and look forward to questions that you may
9 have later. Thank you.

10 MR. SANSOM: Thank you very much, Roy.
11 Mark, do you want to go.

12 MR. GOSS: Yes, sir, Mr. Chairman. Mr.
13 Chairman, members of the TVA member board, my name is
14 Mark David Goss. I'm chairman of the Kentucky Public
15 Service Commission. I'm pleased to be here today to
16 present to you on behalf of Kentucky PSC information
17 about Kentucky's electric transmission infrastructure
18 and to discuss with you the question of how TVA's
19 facilities fit into the broader picture electric
20 transmission needs of Kentucky and the region.

21 With me today are Commissioner Greg
22 Coker and several members of my senior PSC staff. Your
23 presence here today in Hopkinsville carries a
24 significance that extends beyond the topic at hand.
25 The willingness of the new TVA board to venture into

1 the field, to listen to the views and concerns of its
2 stakeholders sends a very powerful signal, we think,
3 that you're determined to open new and expanded lines
4 of communication and approve cooperation between the
5 TVA and states, utilities, and other entities. That is
6 not to suggest, however, that we have not worked very
7 closely in the past.

8 Just in past two years, the TVA has
9 been a participant in two studies in which the Kentucky
10 PSC examined the reliability of our state's
11 transmission, evaluated our electric infrastructure,
12 and assessed our future needs. We greatly appreciated
13 the information and technical expertise that TVA was
14 able to bring to our efforts. We certainly look
15 forward to strengthening our relationship with the TVA
16 as we move forward to meet the challenges of this 21st
17 century.

18 I have submitted, for the record, a
19 statement that provides a broad overview of Kentucky's
20 electric transmission infrastructure. It describes our
21 planning processes for meeting both transmission and
22 generation needs in the future. It summarizes our
23 recent evaluations of our electric transmission grid
24 and discusses some of the issues we see on the horizon
25 as well as our views on the question of transmission

1 access within the TVA system.

2 Since our time is limited, however, let
3 me move directly to the topic at hand. That is should
4 TVA continue to provide transmission access on its
5 system to customers who leave TVA for another wholesale
6 supplier. Mr. Chairman, and members of the TVA board,
7 our answer at the Kentucky PSC in short is yes. We
8 believe that continued access to the TVA system offers
9 several advantages. Let me name three important
10 advantages.

11 First of all, it is Kentucky's policy
12 to avoid the wasteful duplication of facilities,
13 because it is not in the best interests of utility
14 resources, because it can place unnecessary burdens on
15 land owners and because it creates needless visual
16 clutter to our landscape. Allowing departing TVA
17 customers access to TVA transmission could reduce or
18 perhaps even eliminate the need to construct some new
19 facilities.

20 Secondly, where new transmission
21 facilities are necessary, interconnection can produce
22 enhanced reliability for all parties by creating loops
23 that provide alternate paths for power in the event of
24 infrastructure failure.

25 And, thirdly, continued access to the

1 TVA system also can provide enhanced interconnections
2 that would potentially allow the sharing of reserve
3 margins between TVA and neighboring utilities, thus
4 reducing the need for new generation in order to meet
5 those reserve margins in the future.

6 For example, TVA's peak usage is in the
7 summer, while EKPC's peak usage is in the winter, which
8 creates a favorable scenario for sharing generation
9 reserves. Indeed, if I'm not incorrect about this, TVA
10 experienced a record peak of almost 32,000 megawatts
11 last July the 26th, which was six and a half percent
12 higher than TVA had ever experienced before.

13 A final question that I think bears
14 addressing in this forum is the issue of overall
15 transmission system capability in the event of
16 increased large scale power transfers across Kentucky.
17 There are several aspects to this issue.

18 First, is there sufficient
19 transmission, particularly interconnections, to handle
20 the increased power flows through Kentucky that might
21 result from increased transfers of power across
22 Kentucky from south to north as well as in the opposite
23 direction. Mr. Palk just alluded to that. As you can
24 see from the map that's next to me there, the number of
25 interconnections is limited, but of greater importance

1 is the fact that only a few of those interconnections
2 are extra high-voltage, which is 345 kilovolts or
3 higher, which limits the transfer capacity of the
4 system. Several studies conducted by us in recent
5 years have found that transmission constraints already
6 exist for large scale bulk transfers across Kentucky.
7 Those are potential points of instability under current
8 market conditions. An increase in large scales
9 transfers across Kentucky has the potential to
10 exacerbate that situation. Therefore, transmission
11 capacity must be addressed in advanced of any
12 substantial increase in interstate transfers across the
13 commonwealth.

14 Next, what will be the impacts on
15 transmission owned by utilities in Kentucky,
16 particularly if wholesale power flows increase, and how
17 will capacity be allocated in order to protect native
18 load customers. And, finally, and this is the tough
19 one, how will the cost of transmission upgrades be
20 allocated. Before any large scale changes occur in the
21 structure of the regional wholesale electric market,
22 there must be a thorough examination of the
23 implications of such a move by all of the affected
24 parties.

25 Mr. Chairman and members of the board,

1 again, thank you very much for permitting the Kentucky
2 PSC to address you here today. I, again, commend you
3 for reaching out in this manner and would be pleased to
4 answer any questions at the end of the last panelist's
5 presentation. Thank you.

6 MR. SANSOM: Thank you, Mark. Ed, are
7 you next? Go ahead.

8 MR. BREDNIAK: Mr. Chairman, and
9 members of the board, I appreciate the opportunity to
10 be here today. As noted, I am Ed Bredniak, the
11 president and CEO of CC Metals and Alloys. Our
12 manufacturing operation is located in Calvert City,
13 Kentucky. We are a major supplier of high purity
14 ferrosilicon to North American steel industry, and we
15 are a major producer and supplier of speciality
16 ferroalloy to the global iron foundry industry.

17 I am here today representing the
18 Tennessee Valley Industrial Committee, which is made up
19 of companies that purchase their electricity directly
20 from TVA as opposed to going through a distributor such
21 as Hopkinsville Electric System or Warren Rural
22 Electric Cooperative. TVIC members are for the most
23 very large power intensive operations involved in what
24 might be termed as the basic building blocks of the
25 manufacturing sector.

1 In addition to primary metals, our
2 members produce chemicals of all kinds, paper and other
3 forest products and are involved in automotive products
4 and assembly. We currently have 34 member companies
5 and approximately 50 manufacturing locations throughout
6 the Tennessee valley. The direct serve customer
7 segment has a large impact on the economy of the valley
8 and on TVA itself. In addition to purchasing nearly 31
9 billion kilowatts of electricity on an annual basis and
10 providing almost one billion in revenues to TVA, direct
11 serve industries provide direct employment to
12 approximately 29,000 valley residents and indirect
13 employment to an additional 73,000 individuals.

14 Our segment shares another
15 characteristic. We are hypersensitive to the price of
16 electricity because such a great percentage of our
17 production costs for our companies is tied up in
18 electricity. It is not uncommon for 25 to 50 percent
19 or even more of our total product costs to be the cost
20 of electricity. And when prices are rising as rapidly
21 as they are now, it is difficult if not impossible to
22 pass along these increases to our customers.

23 On the transmission access issue on
24 which this board has asked for the comment today, I
25 will be brief and I hope very straightforward. TVIC is

1 in absolute support of the oath of office you took
2 several weeks ago to provide electricity to customers
3 at the lowest possible rate. We, therefore, oppose any
4 set of circumstances that would in effect have our
5 members and other customers of TVA subsidizing
6 distributors who leave the system but want access to
7 transmission without covering the cost of such
8 transmission.

9 It is probably worth noting here that
10 TVA, with funding by its customers, is one of the few
11 utilities continuing to make major investments in
12 additions and upgrades to its transmission system.
13 This is extremely important to the industries and the
14 residents of the Tennessee Valley in terms of helping
15 to insure reliability of the power system and we
16 support TVA's decision to remain strong with these
17 investments despite regulatory uncertainty.

18 Further, TVIC supports strongly TVA
19 policy that gives TVA customers priority rights to the
20 system that was built with customers' money and
21 continues to be maintained with current customer
22 funding. Noncustomers, obviously, would not be
23 contributing to the current construction and
24 maintenance program and, therefore, should not be
25 granted access accordingly.

1 Only after the needs of the current
2 customers are met and only in the way that does not
3 shift costs to current customers. We are not in a
4 position to advise TVA on the specifics of resolving
5 this issue since it has many moving parts and political
6 considerations. We are only in the position of
7 advocating equitable treatment so that customers who
8 stay in the system are not personally, financially
9 penalized, wherein, access to transmission by those
10 customers that leave.

11 TVIC members are certainly not able to
12 absorb additional costs in the face of two substantial
13 rate increases within a year, and we will never be in a
14 position to absorb costs resulting from unfair
15 advantages given to former customers. We will
16 appreciate being kept informed of TVA negotiations and
17 progress in resolving this issue, especially on any
18 preliminary agreement that may be reached that will
19 have an impact on the direct serve customer class.

20 Thank you, again, for inviting TVIC to be represented
21 here today.

22 MR. SANSOM: Thank you, Ed. Jack.

23 MR. SIMMONS: Thank you, Bill. My name
24 is Jack Simmons. I serve at the pleasure of a 19
25 member TVA distributor board of directors as the

1 president and CEO of TVPPA based in Chattanooga.

2 The policy set forth by this board will
3 provide a new platform for the future relationship
4 among TVA and the power distributors in the valley.
5 Noticing distributors have appealed to the political
6 process for new federal laws that would exempt certain
7 distributors from the Anti-Cherry Picking Amendment.
8 TVPPA has strongly opposed such legislation because it
9 does not provide similar provisions for all
10 distributors in the valley.

11 Our board of directors has been firm in
12 its convictions that it will never interfere with the
13 rights of any individual member system, but if any
14 system receives a new contractual or legislative right,
15 then all of the TVPPA member systems should receive the
16 same rights. TVPPA has met with congressional offices,
17 including the staffs of Senator Frist, Alexander,
18 Bunning, Cochran, and McConnell in cooperation with TVA
19 to explore ways to avoid unfair legislative action. A
20 clear message was received from those offices that a
21 nonlegislative solution is a preferred vehicle for all
22 parties involved.

23 TVPPA has developed a nonlegislative
24 framework that we believe is fair to all. A draft copy
25 of that framework is attached to a more complete

1 written testimony that I've given you. It represents
2 the collaborative work of the TVPPA steering committee
3 and is proposed to be a framework for negotiations with
4 TVA. I would like to point out that it is a framework
5 for negotiation and is not a negotiated document at
6 this point.

7 TVPPA has also been in collaboration
8 with distributors, key TVA staff, and the previous
9 full-time executive TVA board; however, the previous
10 TVA board felt uneasy in adopting the TVPPA framework.
11 They suggested that the new part-time policy board of
12 TVA should have a chance for review and input from all
13 parties prior to adopting a policy. I'm assuming
14 that's what we're doing here today. They suggested
15 that we give you a chance to review those things. We
16 believe this is a reasonable position and TVPPA is
17 committed to providing the new board with as much
18 information as you need to make a good clear decision
19 following your understanding of the issues.

20 TVPPA has embraced five key principles
21 in developing the framework. The first principle is
22 that we support that a contractual arrangement can be
23 developed and such an arrangement includes partial
24 requirements contracts and transmission access on a
25 comparable, just and reasonable and nondiscriminatory

1 basis. And I want to talk more about partial
2 requirements and that definition in the question and
3 answer session.

4 Number two, we support the principle
5 that such arrangements must meet the needs of all
6 distributors including those who have already given
7 notice, those that may give notice in the future, and
8 those who currently have no desire to give notice.

9 The third principle is that we support
10 the principle that such arrangements would allow TVA to
11 operate in a financially sound basis and would mitigate
12 undue cost shifting among distributors and other TVA
13 customers as Ed Bredniak just mentioned.

14 Number four, we support the principle
15 that the TVA fence should be modified by legislation to
16 allow TVA the ability to sell on a pro rata basis power
17 to parties outside of the 1959 TVA fence. However, we
18 believe that it is not a prerequisite to accommodating
19 partial requirements and transmission access. Instead,
20 a measured and managed approach can be used to mitigate
21 the impacts to TVA distributors and other customers.
22 With the principle of a rateable departure level, in
23 other words, allowing a measured incremental amount of
24 distributor load to leave the system annually would
25 allow TVA and distributors to manage and mitigate the

1 effects of lost load on the TVA system.

2 And, finally, the fifth principle,
3 TVPPA supports that there should be an offsetting
4 benefit as Fred Hayslett mentioned this morning to
5 those distributors who have not given notice in order
6 to allow the six distributors who have given notice to
7 receive immediate transmission access for their entire
8 load. These offsetting benefits are described in
9 detail in my written testimony. I will be glad to
10 discuss those more during your question period.

11 TVPPA is committed to negotiating good
12 faith with TVA to develop arrangements that embrace
13 these five principles. Therefore, we make the
14 following request and the following commitments to the
15 TVA board. We request that the TVA board embrace the
16 principles of our proposed framework for partial
17 requirements and transmission access using a measured
18 and managed approach.

19 We also request that the board provide
20 policy guidance embracing such principles to its acting
21 CEO, delegating the authority to proceed in negotiation
22 and development of a detailed term sheet and a
23 contractual arrangement that implements these
24 principles.

25 And then number three, TVPPA commits to

1 actively support timely legislation for a pro rata
2 fence modification to give TVA the ability to sell
3 excess power outside the valley. At the time of such
4 legislation, we would suggest that the rateable
5 departure level be re-evaluated and modified as
6 appropriate to reflect the decreased risk of loss of
7 TVA load.

8 In conclusion, we have earnestly tried
9 to separate the positions from the interests from all
10 the parties involved in this very important debate.
11 It's obvious that the common underlying interest is
12 that of a reliable cost effective power supply for
13 consumers in the valley and even the desire by some to
14 give notice to cancel their power contract is driven by
15 that same interest.

16 We believe it's in the best long-term
17 interests of TVA and the Tennessee Valley and TVPPA to
18 craft strategies and solutions that maintain the
19 integrated public power model in the valley. By doing
20 so, we continue the legacy of those who conceived this
21 great experiment 73 years ago today. Thank you.

22 MR. SANSOM: Thank you, Jack. Thank
23 you all. Thank the panel. Has the board got any
24 questions?

25 MR. DUNCAN: Let me start off

1 addressing -- first of all, thanking the panel. That
2 was an excellent presentation and a good recitation and
3 I guess one of the questions I have to Chairman Goss is
4 how did we get here? You know, TVA has had this long
5 history of providing lower cost power, and is this an
6 aberration in our history? Do you see the power costs
7 in Kentucky rising over a period of time?

8 MR. GOSS: Well, with regard to power
9 costs rising for Kentucky's utilities, certainly, there
10 probably -- and I'm sure there are some members of the
11 media back there, and I may have to discuss this with
12 them after the meeting, but I don't see power costs
13 going up greatly in the next few years. Kentucky has
14 the lowest cost power in the United States. We're
15 number one. Except for a few weeks in the spring when,
16 I think, Montana and Wyoming's hydropower is churning,
17 we have the lowest power in the country. Our average
18 is about five cents -- a little less than five cents
19 per kilowatt hour. We're very proud of that at the
20 Kentucky PSC.

21 There are a number of reasons for that.
22 I think the first principal reason is that we have very
23 excellent utilities. We have utilities that are
24 committed to providing low cost reliable service to
25 their customers. I would like to think that the

1 Kentucky PSC has a little something to do with it. We
2 require our utilities to come in and file integrated
3 resource plans fairly regularly to tell us where they
4 are with respect to peak, with respect to their
5 generation, with respect to their transmission
6 situation.

7 The other thing that I think we've been
8 able to do in Kentucky is we have not permitted our
9 utilities to over build, and Roy can attest to this.
10 He may not be terribly happy sometimes with some of the
11 decisions we make with respect to certification
12 generation, but we require the utilities to come in and
13 prove to us that generation is needed and so we don't
14 permit our utilities to overbuild.

15 I've only been doing this a little more
16 than two years, I know where you folks are, except for
17 Bill and Skila. You're going through a tough situation
18 right now with learning this business and this
19 industry. But I think that Kentucky's rates will not
20 go up a whole lot -- and, you know, fuel costs are
21 obviously an issue. I'm from the coal fields and three
22 or four years ago, coal was selling for \$28 a ton or
23 so. Now it's upwards of \$70 a ton. So that's an issue
24 and an issue that really none of us have a lot of
25 control over. So I think as far as Kentucky's

1 utilities are concerned, we're in good shape with
2 respect to the rates for the coming 8 to 10 years and I
3 think, quite frankly, that is part of the reason why
4 TVA is seeing what it's seeing with regard to some of
5 its distributors.

6 MS. WILLIAMS: Mr. Bredniak, you made
7 it fairly clear your position. Have you had an
8 opportunity to look at this framework that the TVPPA
9 has given us.

10 MR. BREDNIAK: We have seen an outline
11 of it, very preliminary look at it, so we do not really
12 have a seat at the table of that discussion or have the
13 details of that framework.

14 MS. WILLIAMS: One of the things you
15 said was that you, I think I wrote this down, you
16 wouldn't support -- you would oppose any set of
17 circumstances allowing them to leave without paying if
18 they paid a just and reasonable cost is what they're
19 asking, would that change TVIC's opinion?

20 MR. BREDNIAK: I think that's what we
21 would be asking for that there would be a fair and
22 reasonable, equitable agreement between parties to be
23 reached.

24 MS. WILLIAMS: So you would be open to
25 discussion on that?

1 MR. BREDNIAK: Yes.

2 MS. HARRIS: Chairman Goss, in your
3 pricing in Kentucky, are you seeing -- are you adding
4 fuel adjustors to the rates?

5 MR. GOSS: Yes, yes.

6 MS. HARRIS: So this is a new
7 development in the state, I understand?

8 MR. GOSS: Well, I'm not sure. We've
9 had fuel adjustment clause hearings for how long, Roy?
10 Roy's been at this longer than I have.

11 MR. PALK: Since 1992.

12 MR. GOSS: Since 1992 Roy says and so
13 for the better part of or 14 -- 13, 14, 15 years we've
14 had fuel adjustment clauses. And the other thing with
15 respect to the -- that I forgot, which probably is the
16 important is that we're a coal state and, obviously, we
17 have ready access to high BTU, although it's high
18 sulfur, but high BTU coal and the Tennessee Valley is
19 in a similar situation. TVA, I would think, would have
20 ready access to a lot of good coal, so that's something
21 to consider. But I don't know. Did that answer your
22 question?

23 MS. HARRIS: Well, it -- and I'm not
24 that knowledgeable about the current practices of the
25 PUC, but I guess that I had assumed that even if you'd

1 been having price adjustors included, I wasn't sure
2 that they had started kicking in until recently.

3 MR. GOSS: No, they've been -- it's an
4 ongoing thing and, of course, they're trued up on a
5 periodic basis and, obviously, what that does is that
6 prevents rate shock, that prevents rates based on \$28 a
7 ton coal and all of the sudden when coal is \$70 a ton,
8 you know a 60 or 70 or 80 percent rate increase, so
9 that's the purpose of it.

10 MS. HARRIS: Now, what about the status
11 of environmental compliance of the plants there in
12 Kentucky -- here in Kentucky? I mean, do you envision
13 that they'll need to be additional environmental
14 controls put on plants there and that might play a role
15 in increasing the costs?

16 MR. GOSS: Well, our utilities, again,
17 have been very good at trying to forecast what the Feds
18 will do and have done with respect to environmental
19 issues, and through the IRP process, the Integrated
20 Resource Plan process, we require utilities to look at
21 least 10 years out or so and try to predict -- the
22 best they can predict what the future is going to be
23 with respect to those issues.

24 So we do have environmental compliance
25 programs in place and, yes, with increased

1 environmental requirements it, obviously, is going to
2 cost more money, but that's the climate, that's the
3 culture that we all live in, and so to that degree, I
4 think with mercury starting to becoming an issue and so
5 forth, I think we will see some action in that regard.

6 MS. HARRIS: So it a fair to say the
7 two big cost drivers regardless of where you are now,
8 would be the fuel costs, but also environmental costs.

9 MR. GOSS: Absolutely.

10 MR. PALK: Skila, if I may add a little
11 bit to that there are three components in the rate in
12 Kentucky. One is the base rate one is the
13 environmental surcharge which covers what you're
14 talking about and that component covers -- if you have
15 to purchase sulfur dioxide credits or NOX credits and
16 also under Kentucky law is an allocation of a certain
17 portion of the capital investment of a new plant that's
18 relevant to controlling environmental emissions and
19 then the third is the fuel adjustment clause.

20 MS. HARRIS: Right. I just wanted to
21 make sure that when we were talking about rates in
22 Kentucky that we were looking at all three components
23 and when we talk about the rate, it's the sum of all of
24 those.

25 MR. SANSOM: Let me ask, you talk about

1 not building excess or you're trying not to overbuild,
2 you used that term and under this Warren scenario
3 that's a new plant to be built, is that what I
4 understood earlier.

5 MR. GOSS: Yes.

6 MR. SANSOM: And is that plant already
7 a done deal, it's going to be built, is it permitted
8 and everything? You approved it and everything?

9 MR. GOSS: It has been certificated and
10 is, I assume, in the works.

11 MR. PALK: The plant has been
12 certificated. We are waiting for an air permit from
13 the Department of Air Quality here in Kentucky. We are
14 in the process of establishing rights of way for the
15 new line in terms of duplication of service. The line
16 actually enhances service. It's not a duplication of
17 service and about 50 percent of the right of way where
18 we're going to build that, Mr. Chairman, is on existing
19 right of way, so it's an enhancement not a duplication.

20 MR. GOSS: And I might say that not
21 only did our commission certificate the building of the
22 generation, but we also required under a new statute in
23 Kentucky to certificate the need for the 90-mile
24 transmission line that is required to carry the power
25 from the new generation facility to Warren.

1 MR. SANSOM: Is there -- I don't know
2 when this Warren contract expires, it was said today, I
3 don't remember the date.

4 MR. PALK: 33 years.

5 MR. SANSOM: No, with you it's 33
6 years, but with TVA, it's two years out.

7 PANEL MEMBER: 2008?

8 MR. SANSOM: I mean, can this plant be
9 built in the two years and be up and running? I assume
10 that -- you commented that you're limited on power when
11 you were talking and so you picked up a "new customer,"
12 kind of to me, so now to supply that customer, you have
13 to have this new plant, is that accurate?

14 MR. PALK: To supply that customer for
15 the term of the contract, we do, sir, yes. Will it be
16 immediately available in April 1, '08, we don't believe
17 so and that's another reason why we feel that TVA
18 allowing access to their transmission system, give us a
19 bridge facility to the Warren folks and allow us to go
20 forward and you go forward with providing service to
21 the Warren customers, and so we think that that's
22 another reason that using the access to the TVA system
23 as we originally proposed is a good thing to do.

24 MR. SANSOM: You know, I hear that and
25 I hear what Ed says about who pays. I mean, I'm in a

1 business that we lose and gain customers. It's just
2 interesting to me that TVA is the bad guy in this deal
3 when, as I hear today that we won't let all this happen
4 and I understand there's complications.

5 I'm being pretty simple, but yet you
6 might not be ready and you want TVA to still be
7 standing here providing this power when the contract is
8 up when you might not be ready and of course, I
9 understand what you're saying about the future that
10 somebody might be short one way or the other, but this
11 is just kind of hard -- I'm a business guy and somebody
12 comes and takes one of my customers, I'm not going to
13 still kind of stand there and say, Well, if they run
14 out, I'll supply you.

15 MR. PALK: We didn't take your
16 customers. Warren exercised their right under the TVA
17 contract.

18 MR. SANSOM: But you have a contract --
19 do you have a written contract with Warren now?

20 MR. PALK: We do, yes.

21 MR. SANSOM: And they're to come -- but
22 you haven't given them a -- on that date they "cut the
23 power off," the contract ends with TVA, you can't
24 necessarily pick them up.

25 MR. PALK: On that date, we will have

1 an obligation to provide power supply, which goes back
2 to my previous statement. That may provide an
3 opportunity for TVA, because we're going to need to buy
4 some power, and we're one of the customers that are
5 able to do business with you outside the TVA wall. So
6 rather than lose load and revenue, if we can negotiate
7 a power purchase, then you still have a revenue flow.

8 MR. BAXTER: But as a clarification,
9 they've signed a contract for which you're responsible
10 on a set date and you're not going to have the power to
11 supply them; is that right?

12 MR. PALK: We're not going to have the
13 plant ready. We will find the power.

14 MR. SANSOM: But you might want to buy
15 it from TVA.

16 MR. PALK: We perhaps might.

17 MR. SANSOM: And then I've got to look
18 back over here and say, Hey, Ed -- don't answer me.

19 MS. HARRIS: I don't want to get too
20 technical here, because first of all, I don't know that
21 I would understand it completely. But, Roy, we have
22 multiple interconnections with you already six; is that
23 correct?

24 MR. PALK: Six.

25 MS. HARRIS: Existing. I've never

1 understood how the requested new interconnections --
2 when I look at how they would function and I look at
3 how the other interconnections we already have
4 function, to me it's -- they're very dissimilar. So
5 can you explain to me why the new interconnections have
6 the same function as the old ones? I mean, in terms, I
7 guess, I go to the essence of the question before FERC,
8 which is why are you calling it an interconnection when
9 it doesn't look like the rest of them?

10 MR. PALK: I'm not sure what you mean
11 by not looking like the rest of them.

12 MR. SANSOM: You did it without FERC
13 before. Is that one way to say it? It was a nonissue
14 before with the six, so why is the seventh an issue?

15 MR. PALK: The reason we're at FERC is
16 because we couldn't get an agreement with TVA to start
17 with.

18 MS. HARRIS: No, no, and I understand.
19 The first request that you all made to us was for
20 transmission. You came to TVA and asked TVA for
21 transmission and -- I mean, Bill and I were here at the
22 time and we're still here, but we felt like that asking
23 for transmission would, obviously, change our position
24 on the fence.

25 So based on that, we said, No, we can't

1 give East Kentucky transmission, so then the request
2 came back and it looked a lot like the first request
3 for transmission, and I guess I can't figure out how
4 it's -- I don't know how you distinguish what you're
5 asking for now from what you were asking for in terms
6 of transmission. I guess that gets to the heart of it.
7 It looks like the same.

8 MR. PALK: Okay. Again, with all due
9 respect, I'm not really sure I understand your
10 question, because from our perspective, it's like the
11 others, like the other six that we have.

12 MS. HARRIS: I guess that's just a
13 difference in opinion.

14 MR. BAXTER: Let me ask you this again,
15 the practicals of construction. We've talked about the
16 plant, it's not going to be ready. What about the
17 transmission line? I think you said 97 miles of
18 additional, is that going to be completed?

19 MR. PALK: It appears that it can be
20 ready, yes, sir.

21 MR. GOSS: I think about half of that
22 as Roy alluded to is co-location along or built along
23 existing corridor. So really you're only talking about
24 probably having to build half the line, although there
25 will be some work done on the other --

1 MR. PALK: There will be work all
2 along. But half the design, Mr. Baxter, is on existing
3 right of way.

4 MS. WILLIAMS: And, Roy, you're willing
5 to pay just and reasonable costs?

6 MR. PALK: We have stated in, I
7 believe, Miss Williams, that we are -- the impact on
8 TVA that we caused we would be willing to pay for it.
9 The FERC has not agreed that TVA's position that there
10 is significant enough impact that loop flow charges are
11 necessary.

12 MS. WILLIAMS: I understand that, but
13 in your opinion, you would be willing to pay what you
14 would consider just and reasonable or what do you
15 consider just and reasonable? Is that -- is there an
16 answer for that?

17 MR. PALK: I don't think there's an
18 answer to that right now. Whatever -- you know, we're
19 not trying to take anybody for a free ride, as I said
20 in my testimony, but those charges we can't agree on
21 right now, but we're not trying to get buy without
22 nothing.

23 MR. BOTTORFF: But there is a price on
24 the table and a gap in the two prices. You've made an
25 offer, and TVA has made an offer, and there is a

1 difference between what you would be willing to pay,
2 and what TVA thinks they ought to be charging.

3 MR. PALK: And that difference, sir, as
4 I understand the whole issue, is based really centrally
5 around the core issue of loop flow charge.

6 MR. BOTTORFF: I just want -- but
7 that's what, we have a gap.

8 MR. PALK: Yes.

9 MR. BOTTORFF: Well, that's progress.

10 MR. PALK: Well, we want to see it.

11 MR. BOTTORFF: At least we defined the
12 issue.

13 MS. HARRIS: I want to ask Jack in this
14 proposal that TVPPA has come up with, how do you
15 envision that framework working with long-term
16 contracts?

17 MR. SIMMONS: Also to a question that
18 Director Bottorff asked earlier about would we have
19 done this but for the Kentucky issue, and I think the
20 TVPPA and TVA have been involved in transmission access
21 and partial requirements discussions for a long, long
22 time. In fact, TVPPA supported with TVA when the
23 Energy Policy Act of '92 was put together to actually
24 put the Anti-Cherry Picking Provision in place that put
25 the fence up, so we put the fence up around ourselves

1 in effect.

2 Since that time we've worked with TVA
3 on the TVA, TVPPA, TVIC consensus title to put
4 provisions in there to insulate us from anything that
5 might happen legislatively, and we have set a language
6 to put together that we would all agree to. In that,
7 we agreed to take the fence down in both directions and
8 not just down on a partial basis as we've talked about
9 here, but totally down in both directions. So we've
10 been talking about fence and transmission for a long,
11 long time.

12 In regard to the long-term contracts,
13 Skila, I think, we had, as you know, I can't count the
14 number of days that I spent in Nashville working on LTC
15 that started out with a 12-person team on our side and
16 your absolute key management team on your side, and the
17 interest in that grew to probably meetings of 70 to 80
18 people at times, and that became a very ineffective
19 forum, if you will, to try to resolve things. There
20 were a couple of things that came out in all those
21 discussions that struck me. One is the issue of the --
22 that Harold DePriest said earlier, how do we get
23 something for a long-term contract. And part of that
24 is equity in some assets in the valley similar to what
25 Gerald Hayes is getting with his 33-year contract with

1 Roy Palk.

2 And the other thing that came out was
3 that the difference in pricing between a short-term
4 contract and long-term contract. There are many folks,
5 as you know, in the valley that have five plus five,
6 which is now a five-year contract, that are happy to
7 stay where they are, and yet they didn't want to pay a
8 higher price, if you will, than somebody that was
9 willing to sign a 20-year contract.

10 Now, the reason for that is that
11 without transmission access and the ability to go
12 somewhere else, there is no true optionality in that
13 contract. And, as you know, how options work, there is
14 a value you pay for that option. So if we can put
15 transmission access and partial requirements to rest,
16 then I think the long-term contract issues are totally
17 easy to solve, because now if you're a five-year
18 contract, you've got to be able to leave, you need to
19 be willing to pay a premium for that option that you
20 have to do so.

21 So I don't want to leave the impression
22 there that this has been something that just came up.
23 The Kentucky issue has just raised the awareness level
24 of what we've been working on for some time, and I
25 think it's been very rewarding to me to see how the

1 parties within TVPPA have come together on this,
2 because, you know, we are absolutely a diverse
3 organization.

4 John Williams mentioned in one of our
5 meetings this week, and this is true for the two years
6 I've been here, every board meeting that I've had with
7 my 19-member board, every decision we've made has been
8 unanimous, and that says a lot about the diversity and
9 the coalition that these folks bring to the table.

10 On partial requirements, if I could
11 just add, our definition of that is not just allowing
12 somebody to leave the system to go somewhere else, but
13 it's allowing somebody to take maybe a small increment
14 of their load and if you talk to some of the larger
15 distributors in the valley, I know Harold spoke for
16 himself this morning, but others have spoken with me,
17 and they're not interested in leaving TVA.

18 First of all, the market is not deep
19 enough for it. Second of all, there is too much of an
20 employee base here in the valley for them to leave.
21 They want to be able to have that optionality I
22 described, to be able to do some things in the market
23 that might provide some actual extra value for their
24 customers. And I heard one director say this morning,
25 if you find that extra value, we want to be a part of

1 it too, and I certainly agree with that.

2 I think -- I can't speak for the
3 noticing distributors, but I think if we had in place
4 some generation ownership and partnership arrangements
5 that would allow people to as part of a partial
6 requirement contract own their own generation, there
7 wouldn't be a need to leave the valley. We would be
8 making those asset decisions here collectively in the
9 valley and the long-term contracts would naturally flow
10 out of that, because you have to have that to finance
11 the projects.

12 In terms of the question earlier about
13 do we want the fence to come down or will the fence
14 come down anyway? I think if we sit back and don't
15 address this issue now that has the awareness level
16 raised by the Kentucky issue, I know for a fact that
17 there are folks who, as Fred Hayslett said, have
18 drafted legislation that will make that happen. We
19 have not been involved in that contrary to what a lot
20 people say. We feel like it's fair for this board to
21 make some decisions before we ever take that step.
22 We'd have to make that decision at that time.

23 But if someone on the Kentucky border
24 leaves or if the Bunning McConnel Bill passes and then
25 all of the sudden everybody in Kentucky can leave, the

1 fence is already down, but there's a new fence that's
2 at the Tennessee Kentucky border, and I don't think
3 that's fair for anybody, and that's why we've been able
4 to get the coalition that we've got among our members,
5 because you can't just incrementally chip away at that
6 either by somebody leaving on their own and building
7 transmission or by somebody legislatively saying
8 there's a new border at the TVA -- at the Tennessee and
9 Kentucky border.

10 So we've got to do something to be
11 proactive and address this. It's something that's been
12 a long time coming and our folks are -- I think the
13 time is right to do something. But I said this to
14 Chairman Sansom last night at dinner, we do not want to
15 do something that puts TVA in a financially hazardous
16 situation, because the distributors that do stay behind
17 have to be able to say that this was a good deal for
18 them as well.

19 MR. SANSOM: Thank you, Jack.

20 MR. BAXTER: Bill, if I could add a
21 comment, maybe follow along on what Jack said. I want
22 to commend Jack and TVPPA and the group that has been
23 talking about this for a long time, and I also want to
24 commend Tom and Maureen and Ken and Mike and many
25 others from the TVA side, because this has been talked

1 about for sometime, and there's been fits and starts of
2 progress and fallen back and various things intervene,
3 and it became very difficult for Skila and I to move
4 ahead once the governance bill finally passed, which
5 we'd been advocating for some time -- finally passed
6 and then the confirmations took forever as these folks
7 know.

8 And so we found ourselves in the
9 twilight zone of wanting to continue to make progress,
10 wanting to continue to discuss the key issues that we
11 knew were there, especially transmission access, which
12 is really the fulcrum of the whole thing, and yet
13 understanding this was such an important decision for
14 TVA that it had to wait for the new governance
15 structure to take place and the new board members to
16 make these kind of decisions. So it put TVA in a tough
17 position, Skila and I, of course, but also our staff to
18 try to continue to make progress, show good faith to
19 senators that were interested in this and distributors
20 who were interested in this, but also defer properly
21 and respectfully to the new board.

22 So I hope you see as a result of today,
23 the strongest possible statement from this board that
24 now that that governance change has occurred and we've
25 got our quorum, and we're ready to go that this,

1 obviously, is a front burner issue. So I want to
2 commend you for hanging in there with us and working on
3 this. No solution is perfect. We've still got work to
4 do on the framework, but I think there's good faith on
5 both sides, it wants to solve this issue.

6 What this really comes down to, as far
7 as I'm concerned, is choice. Should TVA's customers
8 have choice of suppliers, yes or no, and if the answer
9 to that is yes -- which I think it is for most
10 people -- immediately you get to the physical issue of
11 transmission access. Okay. How do we effectuate that
12 choice. Do it in a way that's appropriate for the
13 distributors as the time comes and when they need it,
14 but also that it does not handicap TVA financially in
15 such way that creates problems for all the others,
16 which I believe will be the vast majority of TVA
17 distributors who will stay with TVA.

18 In fact, I want to point out for the
19 record that two Kentucky distributors who did send
20 their notice in the past in an intent to look at other
21 options have done so and they've rescinded their
22 notice, and they're back with TVA, and as you have
23 stated, there is a lack of depth of excess cheap supply
24 out there. Roy may have some of it, but there's not a
25 whole lot to go around, so I think that's a moving

1 target and I think if we keep in mind TVA's strengths,
2 as I know most distributors do, we're going to come out
3 in the right place and take care of everybody.

4 MR. SANSOM: Thank you, Bill. Anybody
5 else have any comments?

6 MR. DEPRIEST: It's been very useful,
7 very informative for me.

8 MR. SANSOM: I want to ask. I still
9 didn't understand the answer back to Skila on why six
10 are okay and the next one is not okay. I'm hoping
11 somebody can explain that. Everybody is tired of this
12 thing, but maybe we can get to that. Anything else you
13 all want to add?

14 MR. DUNCAN: I want to thank the board
15 for having this meeting in Kentucky today. I
16 appreciate that very much, and I appreciate all those
17 who came and participated today and a personal
18 appreciation to each board member.

19 MR. SANSOM: I want to thank the
20 audience for putting up with this. I hope -- we've
21 learned a lot and I hope you have. I appreciate you
22 caring enough to listen. It is a major issue for us
23 and as a new group to address. Eston, I appreciate you
24 leaving the power on. Thank you very much. Thanks for
25 hosting us here, and I want to thank all the

1 Hopkinsville people that have been involved in making
2 this facility available to us and doing the work that
3 goes on and we just walk in and do it and so thank you
4 all for doing that. Thank the panel for coming today
5 on this last of our discussions.


6 This hearing, if you still want to
7 participate, you can send written comments in as a
8 follow-up to this hearing, and you are welcome to do
9 that, but with this, we will end this public part of
10 this hearing. Thank you all very much for
11 participating.

12 (Off the record.)

13 (WHEREUPON this hearing concluded.)

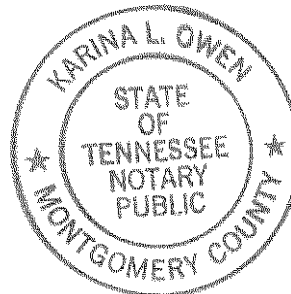
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16 On Thursday, May 18, 2006.

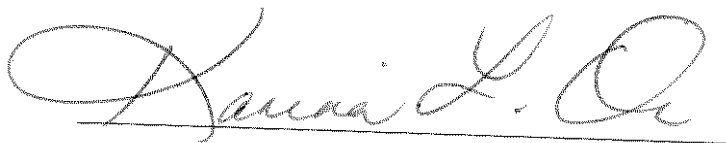
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19  x

20 Karina L. Owen, Notary Public
21 State of Tennessee at Large

22 My commission expires:
23 November 2008



I, KARINA L. OWEN, Registered Professional
Reporter and Certified Shorthand Reporter, do hereby swear that pages 1 -127 in the
above referenced hearing are the true and correct pages of said hearing.

A handwritten signature in cursive script, reading "Karina L. Owen", written over a horizontal line.

KARINA L. OWEN, RPR/CSR
NOTARY PUBLIC

